



Assessment Audit Report

Whitman County Park and Recreation District No. 1

**(LaCrosse Park and Recreation District
No. 1)**

For the period January 1, 2017 through December 31, 2020

Published June 2, 2022

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**Office of the Washington State Auditor
Pat McCarthy**

June 2, 2022

Board of Commissioners
LaCrosse Park and Recreation District No. 1
LaCrosse, Washington

Report on Assessment Audit

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

The attached report describes the procedures performed and conclusions for the areas we reviewed. We appreciate the opportunity to work with your staff, and value your cooperation during the assessment audit.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style.

Pat McCarthy, State Auditor
Olympia, WA

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AUDIT SUMMARY

Results in brief

Based on the procedures performed, we identified areas where the District could make improvements. These recommendations are included as findings. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

About the assessment audit

This report contains the results of our independent audit of LaCrosse Park and Recreation District No. 1 from January 1, 2017 through December 31, 2020.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives. State law (RCW 43.09.230) also requires local governments to prepare and submit certified annual reports to our Office summarizing such things as revenues received, collections made, amounts receivable or payable, expenditures made, and debt owed.

This assessment audit was conducted under the authority of RCW 43.09.260, which requires the Office of the Washington State Auditor to examine the financial affairs of all local governments at least once every three years. Assessment audits are risk-based, limited-scope reviews of small local governments, generally defined as local governments with less than \$300,000 in annual revenues. To help minimize audit costs, our work for this engagement was conducted off-site primarily using financial and other information provided by the District.

This assessment audit was limited to the following:

- Reviewing meeting minutes for compliance with the Open Public Meetings Act
- Inquiring as to internal controls over assets, revenues, and disbursements
- Verifying that annual reports submitted to our Office were complete and filed timely in compliance with state law
- Reviewing the District's annual revenues and expenditures for unusual transactions or trends
- Corroborating financial information reported by the District by comparing its annual revenues, expenditures, and cash and investment balances to third-party sources
- Reviewing expenditures for indications of unusual activities, excessive Board of Commissioners compensation, conflicts of interest, or procurement requirements. Based on that review, we compared selected expenditures with supporting invoices and voucher approvals to verify their validity and completeness.
- Evaluating the District's financial information for indications of financial distress

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

LaCrosse Park and Recreation District No. 1 January 1, 2017 through December 31, 2020

2020-001 The District lacked adequate internal controls and monitoring over its operations to ensure compliance with state laws, such as the Open Public Meetings Act and annual report filing requirements.

Background

Federal and state agencies, the Board of Directors and the public rely on the information included in the financial statements and reports to make decisions. The District is responsible for designing, implementing, and maintaining internal controls that provide reasonable assurance that financial reporting is reliable.

The Washington Open Public Meetings Act (OPMA) requires the District to hold discussions and make business decisions, including voucher approvals, in an open public forum. Additionally, park districts are required to meet monthly (RCW 36.69.120).

State law (RCW 43.09.230) requires the District to submit an annual financial report to the State Auditor's Office within 150 days after the end of its fiscal year. The annual financial report includes summaries of financial information and supporting schedules.

Description of Condition

The District lacked effective internal controls for ensuring compliance with state laws. Specifically, the District did not:

- Retain meeting minutes for all years under audit to demonstrate that it met on a monthly basis for fiscal years 2018, 2019 and 2020
- Submit the required annual reports to our Office within 150 days of fiscal year-end for 2018, 2019 and 2020
- Take steps to ensure its annual report submissions for 2019 and 2020 were complete and accurate

Cause of Condition

The District did not dedicate the necessary resources to ensure it complied with the OPMA and submitted annual financial reports on time. Additionally, the District

did not respond to our Office's outreach efforts in years prior, further delaying our audit of the District. Staff turnover further compounded weaknesses related to the District's overreliance on key personnel.

Effect of Condition

The District's lack of internal controls over operations increases the risk that it may not prevent or detect quickly, if at all, a misuse of public resources. Specifically, our audit noted the following:

OPMA and Meeting Frequency

When the District does not properly conduct open public meetings, it limits the public's knowledge and understanding of the District's operations. The District failed to comply with the monthly meeting requirement, per state law. The District could not locate any meeting minutes for 2018, and it only met four times in 2019 and two times in 2020.

Annual Report Filing

The District filed its 2018, 2019 and 2020 annual reports 905, 493, and 160 days late, respectively. The District's failure to respond impeded our Office's ability to audit the government in a timely manner, as state law requires.

The District understated revenues by approximately \$82,000 in 2019 and \$66,000 in 2020. As a result, the District understated year-end cash and investment balances by \$44,000 and \$62,000 in 2019 and 2020, respectively.

Filing late, incomplete and inaccurate annual reports prevents District officials, the public, and other interested parties from obtaining timely financial information about the District. These delays also hinder public transparency and our Office's efforts to compile statistical and financial information that the Legislature and others use.

Recommendation

We recommend the District:

- Complete available trainings on the OMPA
- Conduct monthly meetings as required by state law (RCW 36.69.120), and prepare and retain records that clearly demonstrate compliance with the OMPA. Meeting minutes should provide an accurate record of the District's actions, and they should be easily available for public inspection.

- Establish effective internal controls for financial operations and reporting to ensure compliance with state law for accurate and timely annual filing.

District's Response

The District acknowledges and accepts these findings. We are currently looking into available OMPA trainings. We started conducting monthly meetings as soon as we started our formal terms in our elected positions January 2022. Regular meeting minutes have been kept along with other meeting documents. We have approved formal written policy for "open store" accounts to establish greater internal controls for financial operations. We are approving all expenditures through our monthly meetings with commissioner approvals. We are reviewing bank statements and country treasure reports monthly. We are reconciling our impressed bank account. The Annual Report for 2021 was filed on time and we anticipate the Annual Report for 2022 to be on time as well.

Auditor's Remarks

We appreciate the steps the District is taking to resolve this issue. We will review the condition during our next audit.

Applicable Laws and Regulations

RCW 43.09.230, Local government accounting – Annual reports – Comparative statistics.

RCW 43.09.240, Local government accounts – Public officers and employees – Duty to account and report – Removal from office – Deposit of collections.

RCW 36.69.120, Commissioner-Duties.

Budgeting, Accounting and Reporting System (BARS) manual, 3.1.3.2, Internal Control

Budgeting, Accounting and Reporting System (BARS) manual, 4.1.6.50, Reporting Requirements and Filing Instructions for Special Purpose Districts

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

LaCrosse Park and Recreation District No. 1 January 1, 2017 through December 31, 2020

2020-002 The District lacked adequate internal controls and monitoring over operations and financial activities to ensure safeguarding of public resources.

Background

LaCrosse Park and Recreation District No. 1 provides recreation opportunities for kids, as well as maintenance and operation services to parks and recreation facilities in the LaCrosse community. An elected, five-member Board of Commissioners governs the District, which had approximate annual expenditures of \$40,000, \$55,000, \$78,000 and \$49,000 in 2017, 2018, 2019 and 2020, respectively.

The District is responsible for designing, implementing, and maintaining internal controls to provide reasonable assurance that public resources are safeguarded and comply with applicable state laws. State law (RCW 42.23.030) prohibits municipal officers from using their positions to secure special privileges for themselves or others. State law (RCW 36.69.110) also prohibits Commissioners from receiving compensation for their services, including directing and administering park and recreation activities.

The District established a separate imprest bank account to pay vendor and payroll expenses instead of using the County to issue warrants. To comply with the *Budgeting, Accounting and Reporting System* (BARS) manual, the District should request account replenishment at least monthly from the County Auditor's Office. Additionally, the Public Records Act (PRA) under state law (Chapter 40.14 RCW) requires the District to preserve documents necessary to isolate and prove the validity of every transaction relating to the receipt, use, and disposition of all public funds and property.

Description of Condition

Two of the District's Commissioners are married to each other, which makes them related parties. As such, the District should establish controls to ensure the Commissioners do not take action on any transactions that might benefit either related party. Specifically, these Commissioners should recuse themselves or otherwise abstain from approving activity between the related parties.

Furthermore, the District paid one of the related Commissioners as an employee to perform the same duties they were expected to carry out as an elected District Commissioner. The Commissioner also used a debit card attached to the District's imprest account to make purchases on behalf of the District.

The District did not present board-approved replenishment requests for the imprest account at least monthly to the County Auditor's Office, as required. Furthermore, the District did not ensure a quorum of Commissioners approved voucher reimbursement requests sent to the County, and it did not keep original supporting documentation to substantiate disbursements.

Cause of Condition

The District did not dedicate resources to establishing controls for monitoring its operations, including monitoring for potential conflicts of interest among the Commissioners. Additionally, only a limited number of Commissioners were involved in daily operations, resulting in an inadequate review of the District's financial activity.

Effect of Condition

During 2018, a Commissioner received at least \$7,500 in salary wages for administering District park and recreation activities. Only one other Commissioner, who is a related party, approved these payments. Furthermore, in cooperation with an external agency, we performed a special investigation over the Commissioner's debit card activity of approximately \$10,500, but the results were inconclusive to determine whether a misappropriation occurred.

The District's imprest account replenishment requests to the County Auditor's Office did not document individual payments made, only lump sum amounts requested for 2017 and 2018 transactions. Because only the two related Commissioners approved the requests in 2018, a quorum of Commissioners did not approve the replenishment requests or the underlying imprest account transactions. Additionally, these reimbursement requests occurred intermittently instead of monthly as required.

The District could not provide supporting invoices for several payments to vendors across all years included in our audit scope, nor did it retain timecards to support the payroll transactions we tested for 2020.

Recommendation

We recommend the District:

- Ensure Commissioners receive no compensation for their services only necessary expenses for attending meetings of the board or when otherwise engaged on district business in accordance with state law
- Assess and monitor actual and potential conflicts of interests
- List individual imprest account expenditures on the monthly replenishment payment voucher requests to the County Auditor's Office and ensure a quorum of Commissioners approve them on a monthly basis in an open public meeting
- Ensure it retains supporting documentation for all financial activity in compliance with records retention schedules

District's Response

The District acknowledges and accepts these findings. We have read and discussed RCW 42.23.030 – Interest in contracts prohibited – Exceptions at our May Board Meeting. Individual account expenditures are being listed on the monthly vouchers. We began careful record keeping of supporting documentation as soon as we started our formal terms in our elected positions January 2022.

Auditor's Remarks

We appreciate the steps the District is taking to resolve this issue. We will review the condition during our next audit.

Applicable Laws and Regulations

Budgeting, Accounting and Report System (BARS) manual, 3.1.3, Internal Control

BARS manual, 3.8.8, Imprest, Petty Cash and Other Revolving Funds

BARS manual, 3.1.4, Original Supporting Documentation

RCW 40.14 – Preservation and Destruction of Public Records

RCW 42.23.030 – Interest in contracts prohibited – Exceptions

RCW 36.69.110 – Commissioners – Compensation, expenses

INFORMATION ABOUT THE DISTRICT

Whitman County Park and Recreation District No. 1, doing business as LaCrosse Park and Recreation District No. 1, provides recreation opportunities for kids, maintenance and operation services to parks and recreation facilities in the LaCrosse community.

The District primary revenue source is property taxes. Annual revenue was approximately \$55,000, \$54,000, \$83,000 and \$66,000 in fiscal years 2017, 2018, 2019 and 2020, respectively.

Contact information related to this report

Address:	LaCrosse Park and Recreation District No. 1 209 S. Hill Avenue P.O. Box 5 LaCrosse, WA 99143
Contact:	Eddie Waddell, Commissioner
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Information current as of report publish date.

Audit history

You can find current and past audit reports for LaCrosse Park and Recreation District No. 1 at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

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